

Department of Human Services

Trust Fund 7290 Independent Review Instructions

Dedicated Account

Purpose

The purpose of the Independent Review is to review past dedicated account activity. It is designed to identify problems, non-compliance with policy, errors, and negligence. The review also serves as a reminder for custodians of the proper handling of their duties and offers them an opportunity to make suggestions and receive recognition. The Independent Review's main purpose is to ensure the needs of the client are met and to confirm that the proper management of each account is taking place.

Review Period

The Independent Review should be completed every six months and should include the entire six month period. These periods cover January to June and July to December.

Sampling Method

In this review, there will be a different sampling method for checks, deposits, and voided checks. To sample checks, obtain from the custodian a copy of their check register for the past six months. Use the following ranges to determine the size of your required sample:

<u>Number of checks</u>	<u>Sample size</u>
10 or less:	2
11-25:	4
26-50:	6
51-100:	8
101 or more:	10

Randomly select 75% of the required sample of checks from the check register. Judgmentally select the remaining 25% from the same report. Random selection should be done without much thought or pattern. The name of the client or amount of the check should not be considered, and every transaction should have an equal opportunity for selection. Judgmental selection should consider the potential risk and total amount associated with the transaction. The judgmental selection should include any transaction the reviewer finds to be risky or out of the ordinary.

If one of the checks selected has not cleared the bank, select another check. In SAFE, a check that has not cleared the bank will not have a check mark in the "cleared" column on the check register.

Deposits are selected according to client rather than on an individual transaction basis. Obtain from the custodian a copy of their client account balance report. Select five clients from this report. If there are fewer than five clients, select them all. You will be performing the audit on all deposits made for these five clients during the review period.

Voided checks should be randomly selected from the voided check report in the same manner as non-voided checks. Obtain this report and select a sample of five voided checks. If there are fewer than five voided checks, select them all.

Reporting

The review is divided into two segments: questions and examination. Each segment contains multiple sections for separate questioning or examining of individuals or procedures.

Complete the question segment by asking each question to the appropriate individual. Mark Y (yes), N (no), or N/A (not applicable) for each question in the applicable column of the table. For any N or N/A response, explain in the comments box the reason or circumstance for the “no” response, or why the question was not applicable, and include a plan for resolving the concern. Also record in the comments box any additional information requested as part of the question. Any other information that is found to be important or that is needed to further clarify a response or situation may also be listed in the comments box.

Complete the examination segment by using the items specified with each step to examine the related procedures and transactions. Use the applicable schedules A-D to complete and document the findings in each corresponding section.

Reviews are to be conducted in the month and a half following the end of each six month period and are due to the Bureau of Finance Trust Fund Coordinator by August 15 and February 15 after the end of each period.

Accounting System

In this review, references are made to accounting systems used by different divisions. SAFE refers to SAFE Trust Accounting, which is used by DCFS. CARE refers to the Access database used by JJS to interface with CARE and track individual client trust accounts. EMS refers to Estate Management Systems, which is used by OPG.

Section I: Custodian/Custodian’s Supervisor

Objective: To ensure that the Custodian understands the responsibilities of proper management for Client’s trust funds.

- 1.1 Review the summary from the previous review with the custodian. **List any exceptions that have not been corrected in the comments box and note them as exceptions to be corrected again in the summary.** This will help to ensure that each independent review serves its purpose by improving operations and correcting mistakes.
- 1.2 The Dedicated signature card should be updated any time related positions are changed within the division or one or more of the check signers leaves for another position. This will ensure that only those with proper authority within the division have the ability to sign checks. The Dedicated signature card is current if **all listed individuals are currently employed by the division.** (Sec. II)
- 1.3 **Dedicated Signature card changes must be made through the Bureau of Finance Trust Fund Coordinator.** The custodian, or custodian supervisor, first contacts the Trust Fund Coordinator and list the changes that need to be made. The Trust Fund Coordinator then sends a form with the specified changes back to the custodian to collect signatures of those individuals being added. The form is then returned for final approval by the DHS Finance Director.

Every Bureau of Finance approved signature card will contain the signature of the DHS Finance Director. The custodian’s signature card must match this approved card.

Compare the custodian’s Dedicated signature card with the one that you received from the Trust Fund Coordinator. Look for differences. **Differences between the two cards may indicate changes made without the authorization of the Bureau of Finance. List any discrepancies between the cards in the comments box.** Discuss discrepancies with the custodian to determine the cause and possible resolution. (Section II)

- 1.4 **Offices receiving Dedicated money must be set up with an additional bank account in SAFE/CARE/EMS in order to track the aggregate Dedicated funds separately.** Under Social Security regulation, all Dedicated funds must be kept and tracked independently from any other source of funding. This additional account in SAFE/CARE/EMS corresponds with the MACU bank account, which only receives dedicated funds.

- 1.5 Each client receiving Dedicated money from Social Security requires an additional client account to be set up in SAFE/CARE/EMS in order to track these funds separately.** The client's two accounts must be completely independent of each other. Sub-accounts are not permitted as they can sometimes allow money from one account to be used to cover a payment if the parent account is overdrawn. Because Dedicated money can only be used for specific expenses after permission has been granted by Social Security, this sharing of funds is against policy.
- 1.6** Social Security will periodically perform a review of the Dedicated Account to ensure that we have complied with their requirements, one of which is separating the money from all other funds. By looking at the Dedicated bank account, they must be able to see the Dedicated money's entire history. All transactions dealing with Dedicated money must be entered in the Dedicated bank account through the Dedicated client accounts. Thus the Dedicated money can be tracked individually as well as aggregately. The sum of the client accounts should equal the bank account.
- 1.7 Permission must be obtained from Social Security before any check can be issued using Dedicated money.** This permission may come in the form of an email, letter, phone call, etc. as long as it is documented and verifiable.
- 1.8** Because this is an independent account, a separate reconciliation must be performed on the Dedicated account on a monthly basis. **The Dedicated account reconciliation is due to the Bureau of Finance Trust Fund Coordinator by the 15th of every month and should accompany the reconciliation of the regular account.**
- 1.9** Dedicated funds may be used for the following: **medical treatment, education, or job skills training.** They may also be used for personal needs assistance, special equipment, housing modification, therapy or rehabilitation, or other items or services approved by the local Social Security office, if they benefit the client and are **related to their disability or blindness.**
- 1.10 All Dedicated funds must be sent back to Social Security upon the closure of an account.**

Section II: Caseworker/Caseworker Supervisor

Objective: To ensure that the Caseworker understands the responsibilities of tracking and managing individual accounts, and effectively provides for Client's needs.

- 2.1** A caseworker's responsibilities with respect to a Dedicated Account are to assess the client's needs that fall under the Dedicated fund's jurisdiction and provide services that are the most beneficial to the client while meeting those needs. Like any other account, the caseworker should budget out the use of the money and review the client's account on a monthly basis. The caseworker is also responsible for obtaining permission from Social Security before requesting the expenditure of Dedicated funds. The Responsibility to work with Social Security on behalf of the client and ensure that funds are cashed and used appropriately is the same. **Provide a brief description of the caseworker's response in the comments box.**
- 2.2** The caseworker should have at least a general idea of the transactions connected with their clients. Review last month's transaction detail of a Dedicated client belonging to the selected caseworker. Show the caseworker the transaction detail. Have them look over it to make sure that the **transactions appear reasonable for the particular client. List any unrecognized transactions they notice in the comments box.**
- 2.3** **The caseworker should review the client's Dedicated account on a monthly basis** to create a new budget, check to see that the past transactions correspond with the past budget, and make sure that the client's balance stays within limits to qualify for federal benefits based on the client's eligibility classification.

The caseworker may utilize either a **client's transaction detail or the caseworker report** to review their client accounts. Any other tool must be approved by the Bureau of Finance. The caseworker should look for any **unusual, unauthorized, or unrecognized transactions**.

- 2.4** Upon the death of a client or the closure of an account **it is the caseworker's responsibility to notify the custodian** and to follow up on any items needed to complete the closure. This may include informing the Funding agency of the client's termination, their last known whereabouts, and their new representative payee if assigned. The custodian may also do this.

Section III: Check Signer

Objective: To ensure the Check Signer understands their responsibility of being a controlling factor for the accuracy and necessity of fund disbursements to the Client.

- 3.1** A check signers' responsibility is to make sure that there is adequate documentation for the check they are signing. This documentation should be **properly authorized, including any supporting documentation such as a budget, bill, contract, etc.** that may accompany it. They also need to make sure that the amount paid is **reasonable**, and that the information on the **documentation matches the information on the check**. Briefly list their response in the comments box. (Sec. II)

Section IV: Fund Disbursements (Checks)

Objective: To verify that checks are accurate, properly authorized, benefit the client solely, and are properly documented. (Section II)

Using the sampling method described on the first page, select the required number of checks for audit (if it hasn't already been done). Complete Schedule A with the following instructions.

- 4.1** Every purchase needs to have a supporting document validating the client's purchase or need of the expense to make sure all transactions are for the sole benefit of the client. This validation can come from a client's monthly budget, contract, bill, receipt, schedule, etc. The documentation must show a valid reason or cause for the expense, and it must be for the direct benefit of the client. **Mark in the appropriate column on Schedule A whether this documentation exists.**
- 4.2** Once a valid need or expense arises, **permission must be obtained by Social Security before a Fund Request or Form 298 can be issued requesting a distribution from any Dedicated account.** Documentation of this permission must accompany other supporting documentation through every step of the disbursement process as a mandatory part of the review.
- 4.3** The custodian is not authorized to issue checks without adequate separate authorization and supporting documentation. **Mark in the appropriate column on Schedule A whether adequate authorization and supporting documentation exists.** If the amount is under \$500, the disbursement must be authorized by the appropriate caseworker; if the amount is over \$500, the caseworker's supervisor must also authorize.
- 4.4** **In the appropriate columns, list the amounts on each type of documentation.** They should all match. This is a test of consistency. There must be supporting documentation (such as Form 298 or other documentation) to validate a disbursement, there must be proper authorization before a check can be printed, and the actual amount on the check must be the same as the check register.

Look for differences that might indicate a problem, such as the withdrawal of a larger amount than was originally authorized or the withdrawal of a smaller amount than was originally authorized (leaving room for undetected and improper use of the balance elsewhere).

Mark in the appropriate column whether the provider name listed on all documentation is the same. The provider name listed on all documentation, beginning with the supporting documents and ending with whom the actual check was written out to, should remain consistent.

- 4.5** Look to make sure that each check has been endorsed properly. A properly authorized check must have two signatures. Each signature must be on the signature card, and neither signature on the check may be from someone who approved the expenditure. **Mark in the appropriate column whether a check has been properly endorsed.**

Section V: Fund Receipts (Deposits)

Objective: To ensure that all of the client's trust money is distributed in an accurate and timely manner, and that all received checks are deposited. (Section I)

Using the sampling method described on the front page, select the appropriate number of clients for the audit if not previously completed. Complete Schedule B with the following instructions.

- 5.1** This is a test to ensure that the client receives the entire amount of money to which they are entitled. Using the client's Dedicated SSI Information letter, determine the exact amount of benefits to which the client is entitled. **List this as the "Amount per SSI Letter" in the appropriate column.**

Compare this amount to the benefit actually received by the client as detailed in their deposit detail. **Record in the appropriate column the amount they actually received.** Investigate and include an explanation at the bottom of the schedule for any discrepancies between these two amounts.

- 5.2** Select one deposit for each sampled client on Schedule B. For each deposit selected, check the date it was received by the agency from the office approved receipt writer/mail log, the date it was deposited to the bank from the deposit receipt, and the date that it was posted to the client's account from the client's deposit detail. Look to see that the check was deposited within 3 days after it was received and that the deposit was posted to the client's account within a reasonable time thereafter. This constitutes a timely deposit. **Mark in the appropriate column whether each deposit was deposited timely.**

Amounts from the receipt writer/mail log, deposit receipt, and deposit detail should all match. **List the amounts from each item in the appropriate columns, and document whether the amounts are consistent from beginning to end.**

Most deposits will be made into this account electronically. Because of the infrequency of these deposits, no electronic reporting system has been set up to inform the Bureau of Finance when a deposit has been made. The Bureau of Finance Trust Fund Coordinator will manually access the account history each day and let the appropriate Custodian know via email whether their client(s) have received a deposit. The email will include the name of the client, the date of the deposit, and the deposit amount. This email can be used in place of the receipt writer report/mail log and deposit receipt as the base documentation in which to compare dates and amounts. However, because the custodian is unaware of the deposit's existence until the receipt of the email, the date of the email instead of the date of the deposit should be used when determining whether a timely deposit has been made.

Section VI: Voided Checks

Objective: To verify that voided checks are handled properly to ensure that the clients' money is only benefiting the client. (Sec. III)

Using the sampling method described on the first page, randomly select the required sample size of voided checks from the voided check report (if it hasn't already been done). Complete Schedule C with the following instructions.

- 6.1** A custodian must have the approval of his or her supervisor before having a check voided. Therefore, before a custodian has any check voided, he/she needs to present their supervisor with a list of checks to be voided, or some other form of retainable documentation. The supervisor must sign this documentation and it must be kept with other voided check documentation, verifying the supervisor's approval. **List in the appropriate column whether documentation of the approval exists.** Provide an explanation for each item missing this approval.
- 6.2** A stop payment is required if a voided check is over \$500 and the check can't be located. A stop request should be sent to the Bureau of Finance Trust Fund Coordinator using the Stop Payment Request Form. A printout of the request form should be kept with the voided check as documentation of its occurrence. **In the appropriate column, list whether a stop payment was required. If so, list whether it was completed and documented.** Provide an explanation as to why a stop payment wasn't issued if one was required.
- 6.3** **List any additional forms of documentation**, such as the actual voided check, that may serve as evidence that the check was indeed voided and not cashed.
- If there is no documentation to verify the voided check, obtain an explanation from the custodian detailing what happened to the check, why it was voided, and why there was no supporting documentation. This finding may also be included in the recommendations section of the summary.
- 6.4** List all uncleared checks from the reconciliation report that are over 90 days old. **Have the custodian explain why the check is still outstanding. Discuss with custodian and document plan to resolve the issue.**

Section VII: Miscellaneous

Objective: To ensure that voided or missing checks as well as the signatures on the signature card are properly documented.

- 7.1** Using Schedule D, list the names and positions of all signers on the Dedicated signature card and the date it was last updated. The signature card will show signers from other divisions/regions; only list signers from the office under review. No signer should have the authority to generate or sign a Form 298 or approve disbursements in SAFE Trust Accounting, and generally a check signer cannot enter information into the accounting system unless approval is received from the Bureau of Finance. This separation of duties helps to ensure the accuracy of the checks that are written and disperses the power to withdraw money, thereby limiting the misuse of funds. Contact the Bureau of Finance Trust Fund Coordinator if there is no documentation of approval.
- List in the appropriate columns whether any of the signers enter information and/or approve disbursements.** If this circumstance exists, promptly notify Bureau of Finance and document plan for immediate resolution. Document whether there is an adequate number of signers to provide backup for those that may be out of the office, and list any applicable comments. (Section II)
- 7.2** There should be no duplicate checks. If a check for which a replacement was issued is later cashed, this is a problem that needs to be resolved. The Bureau of Finance should be notified.

7.3 Review the Dedicated interest allocation and deposit details for all interest allocations occurring during the review period. Look for differences between the amount deposited and the amount allocated in each one. **List any discrepancies as items to be corrected in the summary.**

If an automated system is used to allocate interest and post to trust accounts (e.g. SAFE), the Interest Deposit Detail should be reviewed. Verify that the interest amounts posted appear reasonable and investigate anything unusual.

Section IX: Summary

The summary is for the benefit of both the custodian and the reviewers. It summarizes the corrective actions that need to take place before the next review in a format that is convenient and easy to understand at a glance. In addition, it references reminders, recommendations, and things that are being done correctly. In short, the summary is the summation of the review that can be referred to as often as needed without having to dig through all the documentation to find information.

On the first section, list all findings that can and must be corrected, including any items found in question 1.1 that remain uncorrected from the previous review, or any outstanding item that should be reviewed at the beginning of the next review. Start by referencing the number in the review where the exception was found, then list the name of the individual that will be making the correction and the action required to correct the problem. This becomes the checklist of items reviewed in question 1.1 of the next review.

The next section is for any exceptions found that do not require corrective action. These are usually exceptions to policy that require attention but no action to correct past errors. This section is to be used to remind individuals of proper policy and required future behavior.

The last section is reserved for any recommendations that the reviewer has for improving the efficiency, security, or accuracy of the trust account system. The reviewer may list in this section any compliments they feel are deserved for exceptional conduct.

The entire summary should be reviewed by all parties involved, not only to view the exceptions and fix the physical changes, but to review the recommendations and policy issues in an effort to improve operations.